



Department of Finance and Investment Management

Financial Planning Operations 3B

FPO33B3

FINAL ASSESSMENT OPPORTUNITY

20 NOVEMBER 2017

Time: 3 hours

Marks: 100

Assessor: Mr. Y Singh

Internal moderator: Mr. A van Jaarsveld

External moderator: Mr. M Janoo (Liberty SA)

INSTRUCTIONS:

- This paper consists of 11 pages.
- Answer ALL questions in the **answer book** provided. Only answers in your own handwriting in the official answer book will be considered.
- Silent, non-programmable calculators may be used, unless otherwise instructed. The use of any other electronic devices for whatever reason will lead to immediate expulsion from the examination as well as from the course
- Where applicable, show all calculations clearly.
- Use today's date for all calculations unless instructed differently
- Answers that have been corrected by the use of Tippex and answers in pencil will **not** be marked.
- Scratch out all open spaces and empty pages.
- Good luck!

Question	Topic	Marks	Time
1	Introduction to Financial Planning	10	18 minutes
2	Capital gains tax	8	14 minutes
3 to 5	Income Tax Planning	32	58 minutes
6	Matrimonial property law	10	18 minutes
7 & 8	Law of succession	15	27 minutes
9	Estate duty	25	45 minutes
		100	180 minutes

Question 1

[2 * 5= 10 Marks]

Select the correct option by **WRITING** the corresponding letter of the answer in the answer book provided.

Question 1.1

Which of the following is **NOT** an example of counter money laundering legislation?

- A. FICA
- B. POCA
- C. POCDATARA
- D. FAIS

Question 1.2

Thando has been appointed as a junior financial advisor at First Choice Financial services, a licensed authorised financial services provider. Thando works under the supervision of the business manager, David.

Thando's role in the business is:

- A. A key individual
- B. A representative
- C. The license holder
- D. Both options A and B are correct

Question 1.3

The role of the Financial Services Board (FSB) is:

- A. Collect taxes on behalf of all financial institutions in South Africa.
- B. Administer the Financial Intelligence Centre Act
- C. To oversee or regulate the South African non-banking services industry and overseeing all aspects of the Financial Advisory and Intermediary Services Act
- D. All of the above are correct

Question 1.4

Which of the following would be regarded as financial advice in terms of the FAIS Act?

- A. Advice in respect of variation, replacement or termination of a financial product.
- B. Advice on wills and estates
- C. Providing a description of a financial product and answering routine administrative questions
- D. All of the above are examples of financial advice.

Question 1.5

Which of the following are not used to identify clients in terms of FICA?

- A. Income tax number
- B. ID Number
- C. Clients' name, address and date of birth
- D. Clients' ethnic origin

Question 2

[8 Marks]

During the 2018 year of assessment John Terry made the following capital disposals:

- John sold his primary residence for R4 500 000, John acquired the property at a cost of R2 000 000 in 2002.
- John sold an investment property for R500 000, the asset cost him R800 000 on 1 January 2010 but John decided to sell as he feared it may continue to lose value.
- John sold shares for R80 000, the shares cost John R40 000 a year ago.
- John sold a motor vehicle for R90 000, the vehicle had a cost of R150 000.

Required:

Calculate John's taxable capital gain for the 2018 year of assessment.

(8)

Question 3

[7 Marks]

Lee is ordinarily a South African resident, his colleague David is ordinarily resident in Australia. Both Lee and David are in the process of calculating their income tax for the 2018 year of assessment and would like to know which amounts will be included as gross income.

Required.

Explain to Lee and David which incomes will be taxed by making reference to the definition of gross income.

(7)

Question 4**[18 Marks]**

Diego Costa (aged 28) is currently employed by Chelsea Bus Company (Pty) Ltd. He is unmarried and lives with his son, Eden (4), who is disabled. During the 2018 year of assessment he had the following incomes and expenses:

- Diego earns a basic salary of R23 750 per month, he also received an annual bonus of R30 000 during December 2017.
- On 1 September 2017 Chelsea Bus Company (Pty) Ltd granted him the usage of a company car, a 2017 VW Polo. The vehicle cost the company R215 000 incl VAT and this also includes a maintenance plan. Diego travelled a total of 34 500kms of which 10 000kms were for business purposes. All costs are paid by Chelsea (Pty) Ltd.
- Chelsea Bus Company (Pty) Ltd contributed R2 000 per month towards Diego's medical aid whilst Diego contributes R3 000 per month. For the year of assessment Diego incurred medical expenses amounting to R35 000 of which all were covered by the medical aid.
- Diego received passive income for the year in the form of Interest from a South African Money Market amounting to R60 000 and dividends from a UK based company of R23 000.
- Diego donates R30 000 every year to the Home for Children with disabilities, a public benefit organization as defined.

Required:

Calculate Diego's normal tax liability for the 2018 year of assessment.

(18)

Question 5

[7 Marks]

Valentino Rossi owns a vehicle with a cost R407 500 (including VAT) and receives a travel allowance of R5 400 per month from his employer. During the 2018 year of assessment Valentino travelled a total of 30 000kms of which 9 000 kms were for business purposes.

Required:

Calculate the taxable portion of the travel allowance that Valentino will received.

Question 6**[10 Marks]**

Sizwe Radebe and Thembi Sithole got married on the 1st of April 2008. At the time of their marriage Sizwe had a net estate of R300 000 and Thembi had liabilities which exceeded her assets by R20 000.

On the on the 15th of February 2017 Thembi filed for a divorce. On the date of divorce their assets and liabilities were as follows:

	Sizwe	Thembi
Total Assets	R2 500 000 (note 1)	R1 800 000 (note 2)
Total Liabilities	R800 000	R450 000

Notes:

1. Included in Sizwe's total assets is an amount of R150 000 awarded to Sizwe as result of a defamation claim against his previous employee.
2. Included in Thembi's total assets is jewellery to the value of R95 000, which was donated to her by Sizwe.
3. The CPI on 1 April 2008 was 92.6 and CPI on 15 February 2017 was 156.6.

Required:

Calculate the possible accrual claim at the dissolution of the marriage and state who is entitled to the accrual claim. **(10)**

Question 7**[6 Marks]**

You have been approached by Blessing Dlamini, a 60 year old man who has recently retired. In the event of his death, Blessing would like his estate to be divided among his 2 children and his brother.

Required:

Explain to Blessing the importance of having a valid will.

Question 8**[9 Marks]****Question 8.1**

On the 1st of June 2017 Tony Flair (72) died intestate. He is survived by his wife Taylor, his two sons David and Graham as well as two grandchildren Stacy and Emma who are the daughters of his predeceased son Johnny. Tony's estate at the time of his death was R600 000.

Required:

Determine the amount each of Tony's relatives will inherit from his estate. **(5)**

Question 8.2

Mavis (aged 28) is unmarried and has no children. Mavis died intestate with a net estate of R1 000 000. At the time of her death she was survived by:

- Her Mother Jackie
- Her brothers Tshepo and Bongani
- Her step sister Whitney. Whitney is Jackie's daughter from a previous relationship and was not legally adopted by Mavis' father Thabo.

Required:

Calculate the amount each of Mavis' relatives will inherit. **(4)**

Question 9**[25 Marks]**

Tim and Faye got married in 2008. They are married out of community of property subject to the accrual system. From the marriage were born their son Ruben (20 years) and daughter Lucilla (19 years).

Tim would like to know what his estate duty liability be if he were to die. He provides you with the following information:

Assets	R	Notes
Primary Residence	R4 000 000	
Farm land in KwaZulu Natal	R1 500 000	Note 1
2010 Mercedes C220	R380 000	
BMW X5	R400 000	Note 2
Furniture	R450 000	
Money Market	R800 000	
Office block	R5 800 000	Note 3
Statue	R100 000	Note 4
Pension fund lump sum	R1 750 000	

Liabilities	Outstanding amount
Bond over primary residence	R500 000
Credit card	R300 000

Insurance payable on the life of Tim	Insured amount	Note
Life insurance payable to the estate	R200 000	
Life policy payable to Faye	R1 500 000	5
Life policy payable to Ruben	R1 500 000	5

Additional cost in the deceased estate	Amount
Administration cost	R70 000
Funeral cost	R25 000
Valuation cost	R20 000

Tim's will includes the following provisions:

1. I bequeath the primary residence, furniture and Mercedes to Faye.
2. I bequeath the farm to Lucilla.
3. I bequeath the office block to my son Ruben.
4. I nominate Standard Trust to be the executor of my estate. Standard Trust is not a VAT vendor.

Notes:

1. The farm land in KwaZulu Natal is vacant, Tim inherited the farm in 2008 from his late father and does not wish to use it for farming.
2. The executor sold the BMW for R380 000.
3. Tim inherited the office block from his grandfather. It was Tim's grandfather's wish to keep the office block in the family. Ruben is appointed as the office block manager.
4. In 2014 Tim donated the statue to his daughter on the condition that she will only acquire the statue when Tim passes away.
5. A clause in the ante nuptial contract states that Tim will take out two policies on his life:
 - a) one with Faye as the beneficiary R1 500 000.
 - b) one with the first son born out of the marriage as the beneficiary R1 500 000.
6. Tim's estate is entitled to an accrual claim of R340 000 against Faye's estate at the death of the first dying spouse.

REQUIRED:

Calculate the estate duty payable in the event of Tim's demise.

(25)

Annexure A**INCOME TAX: INDIVIDUALS & SPECIAL TRUSTS**

Rates of normal tax payable by persons (other than companies and trusts or approved public benefit organizations and recreational clubs) in respect of the year of assessment ending 28 February 2018

Taxable income (R)	Rate of tax (R)
0 – 189 880	18 % of taxable income;
189 881 – 296 540	34 178 + 26 % of taxable income above 189 880
296 541 – 410 460	61 910 + 31 % of taxable income above 296 540
410 461 – 555 600	97 225 + 36 % of taxable income above 410 460
555 601 – 708 310	149 475 + 39 % of taxable income above 555 600
708 311 – 1 500 000	209 032 + 41 % of taxable income above 708 310
1 500 000 and above	533 625 + 45 % of taxable income above 1 500 000

Annexure B**Travel allowance cost scale year ending 28 February 2018**

Value of the vehicle is -	Fixed Cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 – 85 000	28 492	91.2	32.9
85 001 – 170 000	50 924	101.8	41.2
170 001 – 255 000	73 427	110.6	45.4
255 001 – 340 000	93 267	118.9	49.6
340 001 – 425 000	113 179	127.2	58.2
425 001 – 510 000	134 035	146.0	68.4
510 001 – 595 000	154 879	150.9	84.9
Exceeding 595 000	154 879	150.9	84.9